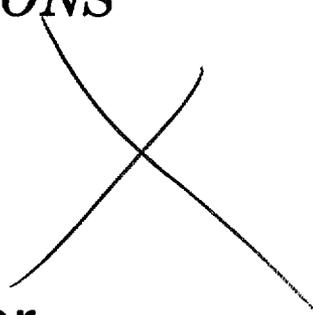


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**REPORT TO THE
SUBCOMMITTEE ON FOREIGN
OPERATIONS
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE**

090169
RELEASED



**Correctness Of Certain Dollar
Values Of Military Assistance
Data Provided By The Department
Of Defense To The Subcommittee
On Foreign Operations** B 163582

B-163582

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

~~911174~~ **090169**

FILE COPY - COMP GEN

JULY 5, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON DC 20548

B-163582

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Dear Mr Chairman.

This report is made pursuant to your request of January 27, 1972, and presents the results of our review of the correctness of certain dollar values of military assistance data for fiscal years 1971 and 1972 provided to your Subcommittee by the Department of Defense

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We have not obtained formal agency comments on this report. We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

Comptroller General
of the United States

The Honorable William Proxmire, Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate

0305

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ABBREVIATIONS

DOD Department of Defense
GAO General Accounting Office
MASF military assistance service funded

D I G E S T

WHY THE REVIEW WAS MADE

- ← The Department of Defense (DOD) reported to the Subcommittee Chairman in December 1971 that materiel and facilities valued at approximately \$321 million and \$702 million for fiscal years 1971 and 1972, respectively, had been transferred (or were scheduled for transfer) to Vietnam, Laos, Thailand, and Korea

The Chairman requested the General Accounting Office (GAO) to evaluate the validity and correctness of the values of this military assistance

FINDINGS AND CONCLUSIONS

Overstatements and understatements

GAO found numerous discrepancies which resulted in understatements and overstatements

For fiscal year 1971 there were approximately \$54 million in understatements and \$18 million in overstatements for materiel, for fiscal year 1972 the amounts were \$6 million and \$21 million, respectively (See p 11)

Facility values for Vietnam for fiscal year 1971 were essentially correct, but for fiscal year 1972 they were overstated by approximately \$60 million (See pp 23 and 24)

Reasons for discrepancies

DOD and its components failed to provide sufficient guidance and time to the personnel responsible for assembling and preparing the values furnished to the Subcommittee. In many instances DOD personnel received instructions only over the telephone

GAO noted that

- Programed data were used although actual data were available
- Figures were transposed and arithmetic errors were made
- Available information was not properly analyzed for inclusion or exclusion in the values reported

--Information was limited to that readily available

The data presented to the Subcommittee cannot be considered accurate, complete, and reliable DOD said that some of the data were being updated and refined

CHAPTER 1

INTRODUCTION

The General Accounting Office has reviewed certain dollar values of military assistance provided, or scheduled to be provided, by the Department of Defense to Vietnam, Laos, Thailand, and Korea for fiscal years 1971 and 1972.

In September 1971 the Chairman of the Subcommittee on Foreign Operations, Senate Committee on Appropriations, requested DOD to provide him with estimates of all military assistance for fiscal years 1971 and 1972 that were not included in the Foreign Assistance Act or new obligational authority for military assistance service funding. A DOD letter, dated December 23, 1971, responded to the Chairman's request.

The Chairman, in a letter dated January 27, 1972, requested us to review the validity and correctness of the values reported by DOD in December 1971 and to evaluate the 1973 projections that he had requested from DOD. We reviewed the procedures and methods of DOD and its components and performed limited tests to determine whether the data reported were complete, accurate, and consistent and represented what it was reported to be. Our work was done principally at the Washington, D.C., area offices of the Assistant Secretary of Defense (Installations and Logistics) and the Departments of the Army, Air Force, and Navy (including the Marine Corps), the field locations of the Aviation Systems Command and the Mobility Equipment Command in St. Louis, Missouri, the Electronics Command in Philadelphia, Pennsylvania, and the Military Assistance Command in Vietnam.

Subsequent to our review DOD, on May 3, 1972, provided to the Subcommittee revised estimates of the values of defense stocks and excess defense articles transferred, or expected to be transferred, in fiscal year 1972 and estimated the value of transfers to be made in fiscal year 1973. (See app. II.) We compared these revised estimates with DOD's original estimates and found them to be \$120.7 million higher.

Further analysis showed, however, that the revised estimates were prepared on a different basis from the original estimates and that the two estimates were not comparable. For example, the revised estimates included the value of materiel transferred to Korean forces in Korea under the authority of the Special Foreign Assistance Act of 1971, whereas the original estimates did not include these transfers. Also the revised 1972 estimates included excess defense articles at one-third of acquisition cost, whereas the original estimates included some defense articles at full acquisition cost and others at one-third of acquisition cost.

U.S. military assistance to foreign countries is provided for in the Military Assistance Program funded by appropriations under the Foreign Assistance Act and in the military assistance service funded (MASF) program funded by the military service appropriations. In addition, certain materiel and facilities no longer needed by U.S. Forces are supplied to recipient countries under the various provisions of the Military Assistance Program and the MASF program.

The MASF program applies only to Vietnam, Laos, and Thailand and to Korean forces training for and serving in Vietnam. In March 1966 the Congress authorized the use of regular defense funds in lieu of Military Assistance Program funds to support U.S. programs in Vietnam. In September 1967 a similar authorization was granted for U.S. programs in Laos and Thailand. As of July 1, 1972, however, military assistance to Thailand will again be provided for under the Military Assistance Program and the MASF program will no longer apply to Thailand.

Congressional authorization of the military service budgets does not provide for specific approval or allocation for MASF programs. DOD can allocate the funds approved for military services between U.S. Forces and MASF-recipient countries as it sees fit, however, since fiscal year 1970, total MASF support from appropriations has been limited to \$2.5 billion a year.

The congressional action authorizing MASF programs requires the Secretary of Defense to report quarterly to the Congress the estimated value of materiel and services furnished from service appropriations. DOD, however, is not

required to include in these reports the value of excess materiel transferred to MASF-recipient countries. The estimated value of excess defense articles to be delivered to each country, including MASF recipients, is shown in the Congressional Presentation for fiscal year 1973. In fiscal year 1972 the amount of excess defense articles programed for Vietnam was not shown, but that for the other MASF-recipient countries was shown.

CHAPTER 2

METHODS AND PROCEDURES USED BY DOD

TO DEVELOP CERTAIN MILITARY ASSISTANCE VALUES

DOD, in response to a September 1971 request, provided the Subcommittee with information on the values of U S assistance to MASF-recipient countries for fiscal years 1971 and 1972 that had not been included in the Foreign Assistance Act programs or the MASF budget requests for new obligational authority. The values provided by DOD, in a letter dated December 23, 1971, to the Subcommittee, were as follows:

Values of "Excess" Materiel and Facilities Provided to MASF-Recipient Countries

<u>Type of assistance</u>	<u>Providing service</u>	<u>1971</u>	<u>1972</u>
		(millions)	
Materiel	Army	\$ 70 1	\$157 5
	Navy and Marine Corps	83 2	22 4
	Air Force	<u>38 7</u>	<u>168 4</u>
		<u>192 0</u>	<u>348 3</u>
Facilities		<u>129 1</u>	<u>353 6</u>
Total		<u>\$321 1</u>	<u>\$701 9</u>

The above values of assistance represent actual and estimated transfers (deliveries) of materiel and facilities for fiscal years 1971 and 1972. The amounts were developed from (1) declared service excesses, (2) materiel transfers to recipients for which replacements were not budgeted or programmed for future U S use, and (3) facilities transferred, or scheduled for transfer, as a result of actual or planned redeployment of U S Forces.

To obtain the materiel values reported to the Subcommittee, the Assistant Secretary of Defense (Installations and

Logistics) requested the Assistant Secretaries (Installations and Logistics) of the Army, Navy, and Air Force to provide, by November 10, 1971, actual fiscal year 1971 and estimated fiscal year 1972 dollar values or original acquisition costs of materiel transfers to each of the MASF-recipient countries. The countries involved were Vietnam, Laos, Thailand, and Korea (for Korean troops training for and serving in Vietnam). In messages of November 4, 1971, the Assistant Secretary of Defense requested the Military Assistance Commands in Vietnam and Thailand to provide the dollar values of real property transfers for fiscal year 1971 and the actual and projected values for fiscal year 1972.

DOD contacted the services and the military commands to obtain the requested information because, as they noted in their December 23, 1971, letter to the Subcommittee, no records had been maintained in DOD headquarters on the data requested nor had any reports been required on such data from the field activities involved. DOD noted further that, with one exception, there was no provision of law requiring that values be assigned to property made available to MASF-recipient countries when such property was excess to the needs of the U S Armed Forces. The one exception applies to Laos (starting in fiscal year 1972) and requires the reporting of excess materiel transfers at not less than one-third of their acquisition costs.

In examining the methods and procedures used by DOD and the military services, we found wide differences in the methods used in assembling and reporting the information. In most cases the personnel responsible for assembling and reporting the information had only 2 or 3 days to do so. Also it appeared that the services had not reported values of certain materiel delivered in fiscal years 1971 and 1972 to Vietnam that had not been previously included in the MASF budget requests and were not excess to the services. We understand that these items will be replaced in U S inventories as a result of fiscal year 1973 and subsequent requests to the Congress for new obligational authority.

PREPARATION OF MATERIEL DATA BY ARMY

In evaluating the data submitted by the Army to the Office of the Assistant Secretary of Defense, we found that

the Army had originally intended to obtain most of its data from the International Logistics Center in New Cumberland, Pennsylvania, and from the Military Assistance Command in Vietnam. The Center could not fully comply with the Army's requirements, and therefore the Army requested, through the Army Materiel Command, that its commodity commands supply a substantial part of the data. The Army Materiel Command contacted the various commodity commands by telephone and requested that values of certain materiel be supplied as soon as possible. The commands developed the requested information from records maintained by the various inventory managers and from their knowledge of the items. The requested information was provided promptly by telephone or facsimile transmissions.

PREPARATION OF MATERIEL DATA BY NAVY

The Navy values, with one minor exception, were based on records available at the Navy and at the Marine Corps Headquarters in the Washington, D C , area and on the knowledge and judgment of personnel who assembled the values. The one exception applied to the values of declared excess delivered to the Thai Navy in fiscal year 1971 which were obtained from a listing prepared by the Navy's International Logistics Control Office in Bayonne, New Jersey. The Navy and Marine Corps personnel responsible for assembling the data were allowed only 2 or 3 days to do so.

PREPARATION OF MATERIEL DATA BY AIR FORCE

The Air Force assembled most of the values in 2 or 3 days from available records in Washington (an office in the Pentagon) and from projections based on known future actions or judgments. The materiel transfers from declared excesses for fiscal year 1971 were obtained by telephone from the Air Force Logistics Command in Dayton, Ohio.

PREPARATION OF FACILITY DATA BY MILITARY ASSISTANCE COMMANDS

The values of facility transfers were reported by the Military Assistance Commands in Vietnam and Thailand to the Office of the Assistant Secretary of Defense. In reviewing the value of facilities turned over to Vietnam, we found that fiscal year 1971 values were based on the acquisition cost of transferred facilities. For fiscal year 1972 the facility values reported were based primarily on estimated transfers and the professional judgment of the estimators.

CONSOLIDATION OF DATA

The Office of the Assistant Secretary of Defense (Installations and Logistics), upon receipt of materiel information from the services and of facility information from the Military Assistance Commands, consolidated the information and reported it to the Subcommittee as an enclosure to the letter of December 23, 1971. Before

consolidation, the values for Vietnam reported by the Air Force were considerably reduced, however, on the basis of duplicate aircraft reporting by the Army and the Air Force

CONCLUSION

In examining the methods and procedures used by DOD and its components in assembling the values of assistance reported to the Chairman, we found that DOD did not give sufficient guidance to its subordinate commands and that the personnel responsible for assembling the values did not have sufficient time to obtain the best available information. Guidance was furnished over the telephone, and in some instances only 2 or 3 days were allowed for assembling and providing the information. Details on the specific discrepancies in the values provided to the Chairman are discussed in the following chapters.

CHAPTER 3

VALUE OF MATERIEL ASSISTANCE

FOR WHICH NEW OBLIGATIONAL

AUTHORITY WAS NOT REQUIRED

In evaluating the values for materiel assistance submitted to the Subcommittee, we found both understatements and overstatements. We did not attempt to ascertain the total discrepancies in the values reported, but the data presented to the Subcommittee could not be considered accurate, complete, and reliable. Our review showed both understatements and overstatements, as follows.

<u>Reporting service</u>	<u>Understatement</u>		<u>Overstatement</u>	
	<u>1971</u>	<u>1972</u>	<u>1971</u>	<u>1972</u>
	----- (millions) -----			
Army	\$ 0.8	\$5.1	\$8.9	\$12.4
Navy and Marine Corps	12.6	1.0	9.0	8.5
Air Force	<u>40.6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$54.0</u>	<u>\$6.1</u>	<u>\$17.9</u>	<u>\$20.9</u>

We noted the following details during our review.

MATERIEL VALUES PROVIDED BY ARMY

The Army materiel values submitted to the Office of the Assistant Secretary of Defense and incorporated in the enclosure to the letter of December 23, 1971, to the Subcommittee are as follows.

<u>Recipient country</u>	<u>Declared service excess</u>	<u>Transfers not budgeted or programed for replacement</u>	<u>Total</u>
----- (millions) -----			
Fiscal year 1971			
Vietnam	\$17.1	\$38.9	\$ 56.0
Thailand	4.2	1.9	6.1
Laos	4.1	.8	4.9
Korea	<u>2.3</u>	<u>.8</u>	<u>3.1</u>
Total	<u>\$27.7</u>	<u>\$42.4</u>	<u>\$ 70.1</u>
Fiscal year 1972			
Vietnam	\$54.2	\$85.1	\$139.3
Thailand	2.2	5.0	7.2
Laos	1.3	.4	1.7
Korea	<u>7.4</u>	<u>1.9</u>	<u>9.3</u>
Total	<u>\$65.1</u>	<u>\$92.4</u>	<u>\$157.5</u>

We reviewed the details of some of the above values at the Department of the Army, where the values were assembled and consolidated on the basis of information available in Washington, D C , and received from Vietnam and various locations in the United States. During our review at the Army and at three commodity commands in the United States, we found a number of discrepancies which resulted in overstatements and understatements, as follows.

	<u>Amount of discrepancy</u>	
	<u>1971</u>	<u>1972</u>
(millions)		
Understatements		
Ships transferred, but values not included	\$ -	\$ 1.8
Materiel transfers not planned for replacement	<u>0.8</u>	<u>3.3</u>
Total	<u>.8</u>	<u>5.1</u>
Overstatements		
Ships that should not have been included	2.3	-
Transfers in Korea reported as transfers to Korean forces in Vietnam	1.8	8.8
Transfer of materiel the Army planned to replace	2.5	3.6
Transposition errors	<u>2.3</u>	<u>-</u>
Total	<u>8.9</u>	<u>12.4</u>
Net overstatements	<u>\$8.1</u>	<u>\$ 7.3</u>

Ships not included

Not included in the values compiled by Army personnel were 24 patrol craft valued at \$1.8 million and transferred to the Vietnamese in fiscal year 1972. They were erroneously included in the fiscal year 1971 values on the assumption that they had been delivered in that year.

Materiel transfers not
planned for replacement

The Electronics Command used programmed delivery data instead of available delivery information to assemble the values of excess materiel and items transferred to the Southeast Asia countries that the Army did not plan to replace in its inventories. These values were incorporated in those furnished to the Subcommittee in December 1971 as based on actual deliveries.

From the records available to Electronics Command personnel when they assembled the reported values, we determined the values of actual deliveries for fiscal year 1971 and the first quarter of fiscal year 1972 but based the values for the last three quarters of fiscal year 1972 on projected deliveries. We found that the values reported for fiscal year 1971 were understated by \$0.8 million and that those for fiscal year 1972 were understated by \$3.3 million.

We asked Electronics Command officials why programmed delivery data were used in lieu of available actual delivery information, but they could not specifically recall the reasons.

Ships that should not have been included

Army personnel included 31 patrol craft, valued at \$2.3 million, in the fiscal year 1971 values on the assumption that the craft were delivered during that year to the Vietnamese. However, as previously noted, 24 of these craft were transferred during fiscal year 1972. We could find no basis for the inclusion of the remaining seven patrol craft in the fiscal year 1971 values. The person who prepared the data advised us that he did not refer to delivery records for patrol craft. Instead, he used his general understanding of the number of patrol craft expected to be transferred.

Transfers in Korea

Military assistance to Korean forces is provided under the Foreign Assistance Act, including the Special Foreign Assistance Act of 1971, and the MASF program. Generally,

military assistance to Korean forces in their home country is provided from funds appropriated under the authority of the Foreign Assistance Act. However, the Special Foreign Assistance Act of 1971 provided for the direct transfer of U S. equipment from U S Forces in Korea to Korean forces. The MASF program for Korea essentially was for the cost of Korean forces serving in Vietnam although costs associated with their training in Korea prior to deployment to Vietnam were also under MASF.

The Mobility Equipment Command, in reporting the materiel values transferred to MASF-recipient countries which were incorporated in the values reported to the Subcommittee, included \$1 8 million and \$8 8 million of materiel transfers in fiscal years 1971 and 1972, respectively, to Korean forces in Korea. We did not determine if any of this materiel was provided for the training of Korean troops prior to deployment to Vietnam, but officials of the Mobility Equipment Command informed us that the total amount should have been excluded from their report and indicated that such materiel was not provided to forces prior to their deployment to Vietnam. International Logistics Division officials at the Mobility Equipment Command informed us also that no items controlled by the command during fiscal years 1971 and 1972 were transferred to Korean forces in Vietnam during this period.

Transfer of materiel the Army planned to replace

According to the Mobility Equipment Command values furnished to the Subcommittee were for certain materiels that the Army planned to replace in their inventories during the next 5 years. For fiscal years 1971 and 1972 the values of these items were \$2.5 million and \$3 6 million, respectively. Because of the Army's stated criterion--that the values reported include only those items not planned for replacement during fiscal years 1971 to 1977--we believe that they should have been excluded from the values reported. Mobility Equipment Command officials, however, do not fully agree with the Army's criterion, since all planned procurements do not always become actual procurements.

Transposition errors

Army personnel, in consolidating the values of materiel transfers reported by the commodity commands, inadvertently entered incorrect values for materiel deliveries to Laos for fiscal year 1971. As a result, the values for Laos that were provided to the Subcommittee were overstated by about \$2.3 million.

Discussion with Army personnel

We discussed the results of our review with the Army official responsible for the overall preparation and submission of the Army materiel values, and he concurred in our findings about the discrepancies. He noted that the Army did not plan to prepare revised fiscal year 1972 materiel values at this time, because better estimates of materiel transfer values would not be available until the end of the fiscal year.

MATERIEL VALUES PROVIDED BY NAVY

The materiel values submitted by the Navy, which were consolidated and incorporated in the enclosure to the letter of December 23, 1971, to the Subcommittee, are as follows:

Recipient country	Declared service excess		Transfers not budgeted or programed for replacement		Total		
	Navy	Marine Corps	Navy	Marine Corps	Navy	Marine Corps	Total
(millions)							
Fiscal year 1971							
Vietnam	\$ -	-	\$55.2	\$ 1.5	\$55.2	\$ 1.5	\$56.7
Laos	-	-	-	-	-	-	-
Thailand	1.8	-	-	5	1.8	.5	2.3
Korea	-	-	-	24.2	-	24.2	24.2
Total	<u>\$1.8</u>		<u>\$55.2</u>	<u>\$26.2</u>	<u>\$57.0</u>	<u>\$26.2</u>	<u>\$83.2</u>
Fiscal year 1972							
Vietnam	-	-	\$17.5	\$ 1.0	\$17.5	\$ 1.0	\$18.5
Laos	-	-	-	-	-	-	-
Thailand	-	-	-	-	-	-	-
Korea	-	-	-	3.9	-	3.9	3.9
Total			<u>\$17.5</u>	<u>\$ 4.9</u>	<u>\$17.5</u>	<u>\$ 4.9</u>	<u>\$22.4</u>

We reviewed the details of some of the above values and found a number of discrepancies which resulted in overstatements and understatements, as follows.

	Amount of discrepancy	
	1971	1972
(millions)		
Understatements		
Ships transferred, but values not included	\$11.6	\$1.0
Computation errors	<u>1.0</u>	-
Total	<u>12.6</u>	<u>1.0</u>
Overstatements		
Ships transferred that should not have been included	<u>9.0</u>	<u>8.5</u>
Total	<u>9.0</u>	<u>8.5</u>
Net understatements	<u>\$ 3.6</u>	<u>-\$7.5</u>

Ships not included

Nine ships valued at \$11.6 million and one ship valued at \$1 million were delivered to the Vietnamese in fiscal years 1971 and 1972, respectively, but were not included in the values submitted to the Subcommittee because the person responsible for assembling the values used programmed delivery dates which did not coincide with the actual delivery year. The programmed data showed that the nine ships valued at \$11.6 million were scheduled for delivery prior to fiscal year 1971 and that the one ship valued at \$1 million was scheduled for delivery in fiscal year 1971.

Computation errors

In assembling the values of the ships delivered in fiscal year 1971 to the Vietnamese, Navy personnel incorrectly added the values, resulting in an understatement of approximately \$0.7 million. Also, in adding certain materiel transfers to the Vietnamese to the value of the ships, an addition error resulted in an understatement of approximately \$0.3 million, for total computation errors of approximately \$1 million.

Ships that should not have been included

In fiscal year 1971 the Vietnamese Government was provided with two landing ships, tank, valued at \$4 million, on 5-year leases, and one destroyer escort valued at \$3 million, on a loan basis for 5 years. The values of these ships were included in the amounts reported to the Subcommittee, but we believe that they should be noted separately, not commingled with materiel grant assistance. Also, for fiscal year 1971, we found that two ships valued at \$2 million and included in the Navy values were not delivered during that year. One of these ships, valued at \$1 million, should have been included in the fiscal year 1972 data, as previously noted

For the fiscal year 1972 values, the Vietnamese Government was provided with one auxiliary landing-craft repair ship valued at \$5.5 million, on a 5-year lease, and one destroyer escort valued at \$3 million, on loan for 5 years.

Navy personnel informed us after completion of our fieldwork that the values reported for fiscal year 1972 had been revised significantly. We understand that the revised values for Vietnam for fiscal year 1972 will be approximately \$41 million instead of the \$18.5 million previously reported. We requested the details of the revision but were informed by DOD personnel that they could not release such information to us at this time because the revised amount had not been completely reviewed and checked.

Discussion with Navy personnel

We discussed the results of our review with the Navy official responsible for the preparation of the Navy data, and he agreed with our findings. He said that he had utilized program data rather than actual delivery data and that actual delivery data had not been available during the short period of time allotted for the data compilation.

MATERIEL VALUES PROVIDED BY AIR FORCE

The materiel values submitted by the Air Force, and adjusted by the Office of the Assistant Secretary of Defense (Installations and Logistics), were incorporated in the enclosure to the letter of December 23, 1971, to the Subcommittee, as follows.

<u>Recipient country</u>	<u>Declared service excess</u>	<u>Transfers not budgeted or programed for replacement</u>	<u>Total</u>
----- (millions) -----			
Fiscal year 1971.			
Vietnam	\$13.2	\$58.5	\$71.7
Laos	5.4	2.4	7.8
Thailand	5.1	.6	5.7
Korea	<u>.1</u>	<u>.2</u>	<u>.3</u>
	23.8	61.7	85.5
Less adjustment	<u>-</u>	<u>-46.8</u>	<u>-46.8</u>
Total	<u>\$23.8</u>	<u>\$14.9</u>	<u>\$38.7</u>
Fiscal year 1972.			
Vietnam	\$22.7	\$159.5	\$182.2
Laos	5.0	.7	5.7
Thailand	5.0	1.3	6.3
Korea	<u>.1</u>	<u>1</u>	<u>.2</u>
	32.8	161.6	194.4
Less adjustment	<u>-</u>	<u>-26.0</u>	<u>-26.0</u>
Total	<u>\$32.8</u>	<u>\$135.6</u>	<u>\$168.4</u>

We reviewed some of the above values and found that the fiscal year 1971 amounts were understated by approximately \$40.6 million, as follows.

The rationale for the adjustments to the Air Force data was to eliminate what was considered to be duplicate reporting of light aircraft and helicopters by the Air Force and the Army. Personnel in the Office of the Assistant Secretary of Defense (Installations and Logistics) were advised that certain aircraft that had been in the Army's inventory and turned over to the Vietnamese Air Force might also have been reported in the values submitted by the U.S. Air Force, since they normally handle military assistance for their counterpart service. These personnel advised us that they had not used the specific values included in the data submitted by the Air Force and the Army in making the adjustment. They made an independent calculation of the number of the aircraft and their values that were considered to be duplicated in the Air Force and Army submissions.

We examined the aircraft data included in both the Army and Air Force submissions and applied the correct unit price against the aircraft that were eliminated by Installations and Logistics. In doing so, we found that the aircraft included in both the Army and Air Force values totaled \$16.2 million instead of the \$46.8 million figure used by Installations and Logistics, a difference of \$30.6 million.

We noted that, in addition to the above discrepancies, the amount reported as transferred to Laos from U.S. Air Force excesses in fiscal year 1971 should have been \$15.4 million instead of \$5.4 million. This understatement of \$10 million was recorded during transmission of the data over the telephone from the Air Force Logistics Command in Dayton.

Discussions with DOD and service personnel

We discussed the understatement of aircraft delivery values for Vietnam with DOD, Army, and Air Force personnel, who agreed that the fiscal year 1971 adjustment was not correctly made and that therefore the values submitted to the Subcommittee should have been approximately \$30.6 million higher. Also an Air Force official stated that the Air Force Logistics Command had confirmed that the 1971 value for Laos should have been \$15.4 million instead of \$5.4 million.

CONCLUSION

We believe that, on the basis of the discrepancies noted during our limited examination, the materiel assistance values provided to the Subcommittee cannot be considered accurate, complete, and reliable. This resulted from the failure of DOD and its components to provide sufficient guidance and time to the personnel responsible for assembling and preparing the data incorporated in the values furnished to the Subcommittee.

As a result, programmed delivery data were used which did not always coincide with actual delivery information, transposition and arithmetic-type errors occurred, available information was not properly analyzed for inclusion or exclusion in the values reported, and information was limited to that readily available.

CHAPTER 4

VALUES OF U.S. FACILITIES RELEASED OR IN
PROCESS OF BEING RELEASED TO FOREIGN COUNTRIES

The Military Assistance Commands in Vietnam and in Thailand, by messages of November 26 and 22, 1971, respectively, stated the acquisition dollar values of real property transferred or projected for transfer, as follows

	<u>Vietnam</u>	<u>Thailand</u>	<u>Total</u>
	----- (millions) -----		
Fiscal year 1971			
For military assistance	\$ 92.9	\$34.5	
For civil purposes	<u>1.7</u>	<u>—</u>	
Total	<u>\$ 94.6</u>	<u>\$34.5</u>	\$129.1
Fiscal year 1972			
For military purposes			
First quarter	\$ 33.7	\$ 6.8	
Estimates for last three quarters	<u>300.0</u> <u>333.7</u>	<u>1.1</u> <u>7.9</u>	
For civil purposes.			
First quarter	2.0	—	
Estimates for last three quarters	<u>10.0</u> <u>12.0</u>	<u>—</u> <u>—</u>	
Total	<u>\$345.7</u>	<u>\$ 7.9</u>	\$353.6

To ascertain the validity of the values reported, we examined some of the records maintained by the Military Assistance Command in Vietnam. We found that the fiscal year 1971 values reported were essentially correct. The fiscal year 1972 values, however, were overstated by approximately \$60 million, due to an addition error.

The error occurred when the values of six major facilities, expected to be transferred during the last three quarters of fiscal year 1972, were incorrectly added to total \$263 million, instead of \$203 million. To include the estimated value of a number of minor facilities expected to be transferred, \$40 million additional was added to the \$263 million. The total of \$303 million, representing both major and minor facilities expected to be transferred, was then rounded to \$300 million, the amount shown in the preceding table.

DOD noted in their letter to the Subcommittee that, for fiscal years 1964 through 1971, approximately \$940 million in real property had been released or was in the process of being released to other countries besides Vietnam and Thailand. No statement was made regarding the value of properties released to other countries in fiscal year 1972.

We asked DOD personnel why they had not supplied fiscal year 1972 values, and they told us that they could not recall the reason. They said it could have been because of the problems in identifying the values when the request was made early in the fiscal year.

DOD advised us that it was preparing for submission to the Subcommittee the values of real property transferred or scheduled for transfer, by recipient country, for fiscal years 1971 to 1973. It expected this information to be available to the Subcommittee in May 1972.

Although we did not determine the transfer of real property during fiscal year 1972, we noted that Sangley Point Naval Station, originally costing the United States \$50 million, was transferred to the Philippine Government in September 1971.

ALLEN J ELLENDER LA CHAIRMAN

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United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON D C 20510

January 27, 1972

The Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D. C 20548

Dear Mr. Comptroller General

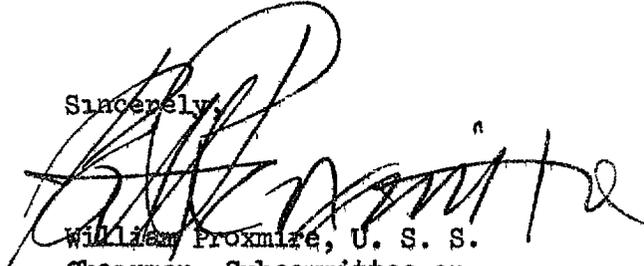
Enclosed are two letters and a table which I have received from the Department of Defense in response to my request for a listing by country and by year of foreign military assistance made available by the Department of Defense outside the Foreign Assistance Act, Military Assistance Service Funded, and new obligational authority requested in the Foreign Assistance Appropriations Bill

I would appreciate the General Accounting Office reviewing these estimates, making an evaluation of their validity and correctness, and furnishing me with a report of your findings prior to May 1, 1972.

In addition, I would also appreciate your evaluation of fiscal year 1973 projections of this data which I have also requested and which I assume is now being compiled by the Department.

Best wishes,

Sincerely,



William Proxmire, U. S. S.
Chairman, Subcommittee on
Foreign Operations

WP;J.d



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D C 20301

COMPTROLLER

23 DEC 1971

Honorable William Proxmire
Chairman, Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate

Dear Mr. Chairman

This is in further reply to your letter of September 29, 1971, to Secretary Laird, requesting information to assist in your review of the Foreign Assistance Appropriation Bill, and provides data in addition to that furnished in my letter of October 13, 1971, on this subject.

With regard to your specific request for FY 1971 actual and 1972 estimated dollar values of military assistance not included in the Foreign Assistance Act or Military Assistance Service Funded (MASF), it is important to recognize that with one exception applicable to FY 1972, there was and is no provision of law which requires that a value be assigned to property made available to MASF recipient countries when such property is excess to the needs of the United States Armed Forces, and consequently no records have been maintained in the headquarters of the Department of Defense on the basis of the value of such property nor are any reports required from the field activities involved (The only exception is the recently enacted provision of Section 505 of Public Law 92-156 which requires that, in the case of Laos, such property will be assigned a value of not less than one-third of its acquisition costs)

However, in an effort to comply with your request we have obtained data from the field activities concerned for inclusion in the attached table I am sure that you will appreciate the fact that such one time reports require substantial additional time, effort and expense This table uses the original acquisition or construction costs as the dollar value of all excess materiel (equipment, supplies, etc) and real property facilities transferred to these countries All other assistance other than the excess materiel and facilities transfers indicated on the attached table has been fully funded in the MASF budget during these years

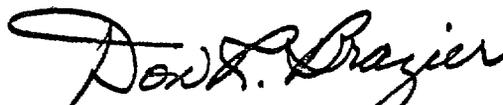
With regard to the value of real property released or in the process of being released to foreign countries, exclusive of Vietnam and Thailand, this amount is estimated at about \$940 million from FY 1964 through FY 1971. This figure is considered the most useful

data that can be provided regarding the value of real property transferred outside of Southeast Asia during this period. A meaningful breakout of this figure by fiscal year is not feasible since the circumstances of disposition of real property overseas often involve a long period of time from the date the decision is made to phase out a property to the date all legal and administrative steps are completed to permit the removal of the property from the official DoD property records. In many cases the effective date of transfer, including beneficial occupancy by the recipient, occurs well in advance of the date the property is finally dropped from the records.

There is one additional category of assistance which is not included in the categories of Foreign Assistance, Economic Assistance or Military Assistance Service Funded. This is the equipment turned over to Republic of Korea Armed Forces by departing U S Forces during 1971 as agreed-to by the U S and Republic of Korea governments and authorized under Public Law 91-652. The dollar value of assistance to the ROK in this category is as follows: FY 1971 (actual) \$54.0 million, FY 1972 (estimated) \$103.9 million.

I trust this information, in addition to that furnished previously, will satisfy your requirements.

Sincerely,



Don R. Brazier
Deputy

For and in the absence of
Assistant Secretary of Defense (Comptroller)

Enclosure

APPENDIX I

MASF-Recipient Countries in SEA, Not Funded or
Budgeted under the MASF Programs

\$ Millions

	<u>FY 1971</u>	<u>FY 1972 (estimated)</u>
1 <u>Materiel</u>		
<u>From U.S. Navy and Marine Corps</u>		
<u>To</u> South Vietnam	56.7	18.5
Thailand	2.3	0
Laos	0	0 *
ROK Forces in SEA	<u>24.2</u>	<u>3.9</u>
Total U S. Navy and Marine Corps	83.2	22.4
 <u>From U.S. Air Force</u>		
<u>To</u> South Vietnam	24.9	156.2
Thailand	5.7	6.3
Laos	7.8	5.7 *
ROK Forces in SEA	<u>0.3</u>	<u>2</u>
Total U S. Air Force	38.7	168.4
 <u>From U.S. Army</u>		
<u>To</u> South Vietnam	56.0	139.3
Thailand	6.1	7.2
Laos	4.9	1.7 *
ROK Forces in SEA	<u>3.1</u>	<u>9.3</u>
Total U S Army	70.1	157.5
<hr/>		
<u>Total Materiel</u>		
<u>To</u> South Vietnam	137.6	314.0
Thailand	14.1	13.5
Laos	12.7	7.4 *
ROK Forces in SEA	<u>27.6</u>	<u>13.4</u>
Total Materiel	192.0	348.3
 2 <u>Real Property Facilities (All Services - Military Purposes)</u>		
<u>To</u> South Vietnam	92.9	333.7
Thailand	34.5	7.9
Others	<u>0</u>	<u>0</u>
Total Real Property Facilities	127.4	341.6
 Real Property Facilities for Civil Purposes in South Vietnam		
	<u>1.7</u>	<u>12.0</u>
Total Real Property Facilities	129.1	353.6
<hr/>		
Grand Total Materiel and Facilities	321.1	701.9

* Reportable to the Congress under applicable law (Section 505 P.L. 92-156) at one-third of this value.

SCHEDULE OF TRANSFER OF DEFENSE STOCKS
AND EXCESS DEFENSE ARTICLES TO MASF RECIPIENTS,
REVISED 1972 ESTIMATED VALUES AND 1973 PROJECTED VALUES

Country	May 3, 1972 (note a)		Total
	Defense stocks (note b)	Excess defense articles (note c)	
	(millions)		
Fiscal year 1972			
Korea	\$101.5 ^d	\$ -	\$101.5 ^d
Laos	7.4	2.5	9.9
Thailand	14.6	4.5	19.1
Vietnam	<u>338.5</u>	<u>(e)</u>	<u>338.5</u>
Total	<u>\$462.0^d</u>	<u>\$ 7.0</u>	<u>\$469.0^d</u>
Fiscal year 1973			
Korea	\$ 0.2	\$33.6	\$ 33.8
Laos	9.0	2.0	11.0
Thailand	-	4.5	4.5
Vietnam	<u>95.6</u>	<u>53.4</u>	<u>159.0</u>
Total	<u>\$105.8</u>	<u>\$93.5</u>	<u>\$199.3</u>

^aThe values were extracted from a "Department of Defense Report on Transfers of U.S. Resources" dated May 3, 1972, provided to the Subcommittee on Foreign Operations, Committee on Appropriations, U.S. Senate.

^bValues at acquisition cost.

^cValues at one-third of acquisition cost

^dIncludes the value of materiel transferred to Korean forces in Korea under the authority of the Special Foreign Assistance Act of 1971

^eNot applicable, according to DOD officials.